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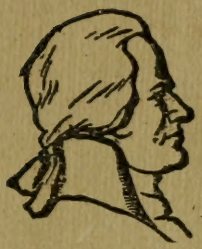
[Modern Business Talks]

SENDING OUR GOODS ABROAD

Hardly a century ago, foreign commerce was confined to dealings in a small range of articles. Today it has burst these bonds.

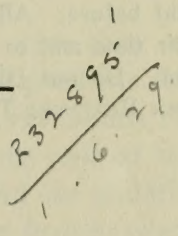


MODERN BUSINESS
TALK No. 29

ALEXANDER HAMILTON INSTITUTE
NEW YORK

Sending Our Goods Abroad

Number Twenty-nine of a Series of Modern Business Talks Prepared by the Alexander Hamilton Institute



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NEW YORK

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READING ASSIGNMENT

The current Reading Assignment consists of three parts: (1) this Talk; (2) Part I, "Foreign Trade," of Volume 15, "Foreign Trade and Shipping," and (3) Lecture No. 15.

One result of the war has been to impress both governments and business men with the necessity for increasing efficiency in the production and distribution of commodities. In this respect, the world has probably advanced fully two decades in a few short years. But national and corporate efficiency is based upon individual efficiency—upon your ability to do better and more valuable work in a given time than you did before. All must learn to make better use of their time and to avoid all waste of that precious element. Do not fall behind in your reading of the MODERN BUSINESS Text.

Sending Our Goods Abroad

We might easily prove that the welfare of the nation is promoted by foreign trade. But few men could afford to engage in exporting or importing for the good or glory of the country alone. Profits for the individual are the only argument that carries conviction or assures permanence of service.

"Stir 'em up down there, Davies. Show them how we do business in Uncle Sam's country. It'll be a good lesson for them!"

Davies was salesman for a firm that manufactured and sold a line of chemical products that, since the war, had decided to invade the South American market. The product was selling well at home, but the prospect of bigger profits and the ambition to do an international business led the firm to cast longing glances toward the neighbor republics of the southern continent. There had been a hurried, tho intensive, study of South American Markets, including the population, wealth, climate, transportation facilities, credits, competition, etc., as a result of which the firm

had decided that Argentine was preeminently the place in which to begin its foreign operations.

Forcing the Issue

Among the data collected by the firm was a bulletin issued by the Chamber of Commerce in a near-by city, in which advice was given with regard to the way business should be solicited in the Spanish-American countries. A part of this report gave the aggressive American firm no small amount of amusement. "The salesman," said the bulletin, "must be tactful, well informed and accustomed to observe social usages. He must bear in mind that the South American is a leisurely person who does not wish to be hurried. He is also a strict observer of social etiquette. It often happens that the salesman must make half a dozen calls and spend half an hour or more each time in pleasant conversation before the prospective customer is ready to talk business."

"Exactly," commented one member of the firm. "It is this *mañana* habit that is holding back the development of those countries and preventing business from being done in a business way. The people lack progressiveness; but they can be taught, and we'll teach them!"

"Human nature is at bottom the same the world over," assented his partner. "If the goods are right and he wants them, the South American merchant will be glad enough to do business with all the frills cut out."

And the house knew no better man for the job of

teaching progressive business methods to a "slow" people than Davies—that breezy, self-reliant and affable salesman who had been with the firm for years and who "knew the business," as he said, "from beginning to end"—a fact which would more than make up, it was felt, for his complete ignorance of the Spanish language. It would be easy enough to find an interpreter. And so he was sent away upon his mission to the land of the south with a parting injunction to "stir 'em up."

A Different Policy

It so happened that while this house was planning its South American campaign, a competitor was likewise preparing to extend his markets in that direction. The latter house, however, had no experienced salesman to send, nor had it yet awakened to the necessity of educating benighted foreign merchants in proper buying methods. In fact, the whole plan of its venture in the South American field was conceived by the "Son" in the firm of North & Son—who since he left college a few years ago had acquired a fair Spanish and a keen interest in the nations of South America. Father and son spent several months in working out the plan together and eventually the younger man had his samples and himself ready for the trip.

"Remember, son," was the father's parting word, "there is no rush. Keep your eyes and ears open and when you need advice don't hesitate to use the cable!"

And the same steamer that carried Davies to Ar-

gentina also carried young North. In due time both arrived at their common port of destination.

Making Haste Slowly

Before the first day was ended, the hustling Davies had arranged for interviews with his entire list of prospects. North, on the other hand, was spending his time reading newspapers in the hotel—local sheets with one or two trade journals, all in Spanish. He paid a visit to the American consulate, another to a local banking firm to which he carried a letter of credit; another to the uncle of a college chum. He kept his eyes and ears open, but made no business calls. Apparently, Davies would have the field all to himself.

But somehow the aggressiveness of the American representative did not "take" with the Argentine merchants any better than the sociability of the latter attracted Davies. His breeziness they regarded as rudeness, while their politeness struck him as insincere. "When I compliment them on the appearance of their store," he wrote his firm, "they tell me the store is mine; but when I intimate that all I am after is an order, they instantly change the subject!" Nevertheless, he did secure some orders which he immediately transmitted to his house.

In the meantime, young North was making diligent use of his local connections and was rapidly extending his circle of acquaintances. He met the innate courtesy of the people with a discreet unobtru-

siveness coupled with evidences of a well-stored mind that quickly won for him confidence and good-will.

The New Price

Then one day when he was about ready to "work" his territory, a cable message from New York caught his eye as he was scanning the market column of a local paper. It announced a substantial advance in the price of a raw material that entered largely into the manufacture of his chief product. Instantly he cabled home for revised price lists and a return cable brought the new prices. But when he presented his goods to prospective buyers he was met with the information that another American firm was underselling him. Evidently, the difference in price of raw material had not yet become known to Davies, whose prices were based on old market conditions. North was prepared to prove the necessity for the new prices, and in most cases made his sales despite the handicap of higher quotations.

Then the inevitable happened. Davies' house cabled its inability to fill orders at the prices quoted and announced a 20 per cent advance. The merchants were furious. They saw in this move only a confirmation of their suspicions of the dashing Americano who had been so insistent upon getting their orders; and despite the fact that his goods were fully the equal of those manufactured by his rival, Davies found it necessary to betake himself to other fields. Lack of adaptability to the customs and methods of the people in the foreign land proved for the time

an effective barrier to success in his efforts to sell them his goods. Of course the lesson was not lost upon him nor upon his house. Davies' experience in the Argentine city convinced both that it was not profitable, either abroad or at home, to ignore the prospect's viewpoint.

What to Export and How

The question is often asked by those who look toward the foreign field as a potential source of profitable business: What sort of goods lend themselves most readily to export? Is it more profitable to export food stuffs or raw materials than manufactured products? The author discusses this problem in the Text and points out the need of a definite national foreign-trade policy. This is a matter of no small importance, since our success as an exporting nation is necessarily affected by our national attitude toward the subject.

Of course, the individual exporter's policies and methods are of equal importance. The goods must be of the right quality, prices must be right, selling policies and credit terms must be agreeable to the buyer. But this is only another way of saying that in our foreign trade relations we must observe the same general principles of service that contribute to success in the domestic field.

In that connection, it is interesting to learn (in Chapter IV) what is being done in certain quarters to prepare our business men for trade with foreign countries. One great difficulty has been to find men

who possessed the qualifications necessary to represent American business interests in the various export fields. Such men must not only have a sufficient knowledge of the language spoken in their territory, but must also be trained in the technic of foreign trade. The efforts of some American banks, notably the National City Bank of New York, in this direction, are most interesting. So are those of the Philadelphia Commercial Museum, the National Foreign Trade Council and other bodies specially devoted to the development of foreign trade. The author describes these efforts in his Chapter on "Promotion of Foreign Trade."

The Wrinkles of Forty

When American manufacturers attempt to "break into" foreign trade, they frequently make the mistake of assuming that the same advertising appeals that have proved successful in the home country will be successful in the foreign land. Here a consideration of national customs and modes of thinking is of first importance.

A certain American cold cream manufacturer had won considerable success in various parts of the country with the advertising slogan "Change the Wrinkles of Forty for the Bloom of Sixteen." American women are so accustomed to the exaggerated claims made for beauty creams and complexion remedies that they quite naturally discount the advertiser's statements about them and proceed to discover for themselves the articles that possess the desired merits.

But the women in the foreign country where the manufacturer sought to introduce his toilet goods, were given to taking such statements literally; hence when their newspapers printed invitations to exchange the wrinkles of forty for the bloom of sixteen by the use of Blank's Beauty Cream, they promptly accepted the invitation and as a first step exchanged their coin for the coveted article. When they found, however, that the collapsible tube, tho beautifully decorated and lettered, was not in fact a fountain of perpetual youth, they let loose such a storm of indignation upon the heads of the publishers who had printed the misleading advertisements, that these papers ever since have refused to print advertisements of American cold cream preparations.

The "Incurably Yellow"

Another American manufacturer, who makes a certain proprietary medical preparation, very nearly came to grief when he planned to make his appeal to the people in China with copy similar to that which he had used successfully in the United States. Fortunately for him, business with the people of China must be done entirely thru a "comprador"—a native agent or commission merchant—and this functionary saved the American patent medicine vendor from making a serious blunder. The copy which the American manufacturer submitted to the comprador for translation and which was to be used for ad-

vertising in China, featured a pill which would "cure that run-down, *yellow* and anemic condition."

As the wise comprador said in a letter to his American client: "Honorable Sir—All my countrymen are incurably yellow." He subsequently obtained permission to write his own copy, and he worded it in a way that he knew would appeal to his people. It is said that more of those little pills are being sold in China than in any other country, even tho they were originally prepared as a specific remedy for a "yellow" complexion.

The expressions *direct* and *indirect* methods in connection with foreign trade refer to the manner in which the exporter's goods are marketed. The choice of method is not so simple as it might seem, since it involves consideration of such factors as advertising, correspondence, selling, financing and shipping. This important topic is discussed by the author who points out in detail the advantages and disadvantages of each method. No merchant can formulate an intelligent export policy until he has considered fully the points covered by the author in this chapter.

His Daughter's Letter

One of the most vital points to consider in attempting to build up an export business is that of proper packing and labeling of the goods for shipment. Nothing, perhaps, could more effectively discourage a customer overseas who is buying our goods than to find after having waited expectantly for his purchases

that they have arrived in an almost worthless condition owing to improper or insufficient packing, or that they have been delayed for weeks, if not months, by reason of improper labeling.

At a recent foreign-trade conference held by members of a merchants' club in New York, a well-known exporter said that he attributed fully one-half of his success in the export business to a letter that his daughter had written him some years ago when she, with a party of others, made a tour of South America. She had simply described her impressions as a traveler and had no thought of attaching commercial importance to her observations.

In part the letter read: "Every time the boat stops at a port, I watch them unload the cargo. They pull it up in a huge net that swings from a pulley. Up and out it goes—creaking and banging—then down on the pier with a crash unless the man who works the pulley is careful, which he seldom is. I have noticed that most damage is done to the crates and cases that have no iron hoops or bands around them or that lack those metal caps that fit over the corners. Yesterday we docked at a port while it was raining heavily, and I noticed that there was no sort of covering over the pier, yet they stacked the freight there and left it exposed to the pouring rain without any protection whatever. One of the men on board told me that often the goods are so water-soaked by the time they are unpacked that they are almost useless."

The merchant who read this letter said that the warning had come just in time to prevent his ship-

ping a consignment of merchandise valued at many thousands of dollars without proper waterproofing and reinforcement of the packing cases. "The satisfaction given by the good condition in which that order arrived," he said, "laid the foundation for business relations that have been as pleasant as they have been profitable."

Things to Consider

Altho the point may seem extreme to the average American, it is nevertheless well worth while for the exporter to pay strict attention to such details as salutations and signatures in his correspondence with customers in foreign lands. They are much more exacting than we are about the niceties of formal communication. The customary "Yours very truly" which the American business man appends to his letter is supplanted in Spanish custom by a phrase which means literally, "Your devoted servant who kisses your hands." The British custom is usually some such phrase as: "Believe me, gentlemen, your obedient servant." Neither of these expressions "sit" well with the American. To him they savor of servility. Those who have had considerable experience in foreign correspondence usually adopt a modification such as: "We are, gentlemen, faithfully yours." But whether or not in this matter we go to the full length of foreign courtesy, it is well for us always to keep in mind the attitude and temperament of the man in the foreign land to whom we indite our business letter.

It is specially important to beware of using the rubber stamp signature. Even in this country we have come to regard with disfavor any letter signed in that manner, but the foreigner regards such practice as a deliberate mark of disrespect. Such phrases as, "dictated but not read," "signed in the absence of——", or signatures of executives that have been signed and initialed by an assistant provoke little less than indignation in men who are accustomed to courtesy in speech and writing and who consider themselves and their firms bound by their written communications.

In considering the technic of export trade, the author develops in their proper order the points that come up for consideration in the filling of an order for a foreign country. For example, the policy with regard to the sending of samples is one that must be given careful attention. Mistakes are easily made here. Price quotations, too, are frequently matters of considerable difficulty, since many items usually enter into the final price. Shall the goods be sent "c. i. f." or "f. o. b. destination?" How shall they be packed and marked?

If the customer gives specific instructions with regard to the shipping of his order, the shipper will do well to abide by those instructions to the very letter, no matter how strange or even foolish they may seem to him. It is safe to assume that they are founded on the importer's needs. Perhaps the conditions that prevail in his locality require packing of a special sort. It often happens, for example, that in unde-

veloped countries, freight must be carried across country on the backs of animals, in most cases either camels, horses, burroes or llamas. In some places even human backs are the customary freight-carriers. In view of such varying conditions of which the exporter may have no knowledge whatever it behooves him to follow shipping instructions exactly as given and not substitute for them what he may consider his superior judgment.

Care, too, is required in making out the invoice. Some countries, for example, Australia, require very much detail in the making of invoices. The author goes fully into this and other items that relate to the technic of exporting.

In view of the place which foreign trade occupies in the mind of the American business man, owing to the conditions introduced since the close of the war, the current reading assignment in Volume 15 is of unusual importance. The clearness with which the subject is discussed makes the reading of the Text an easy and pleasant task.

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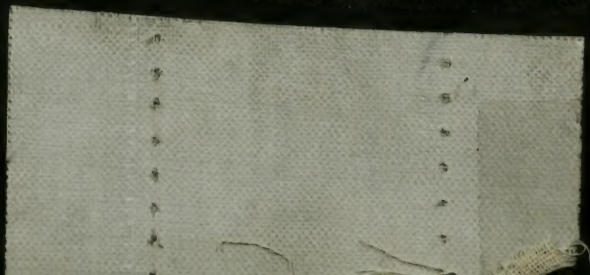

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